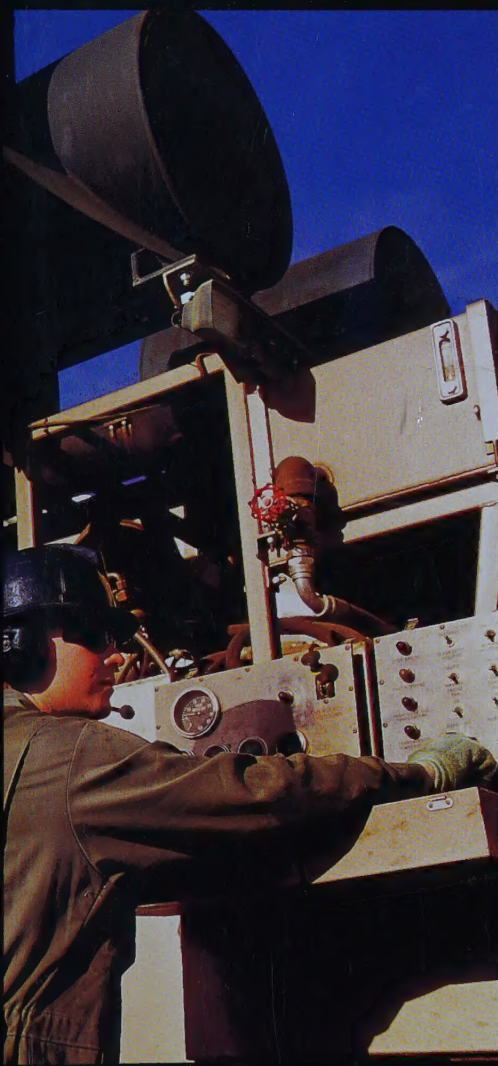
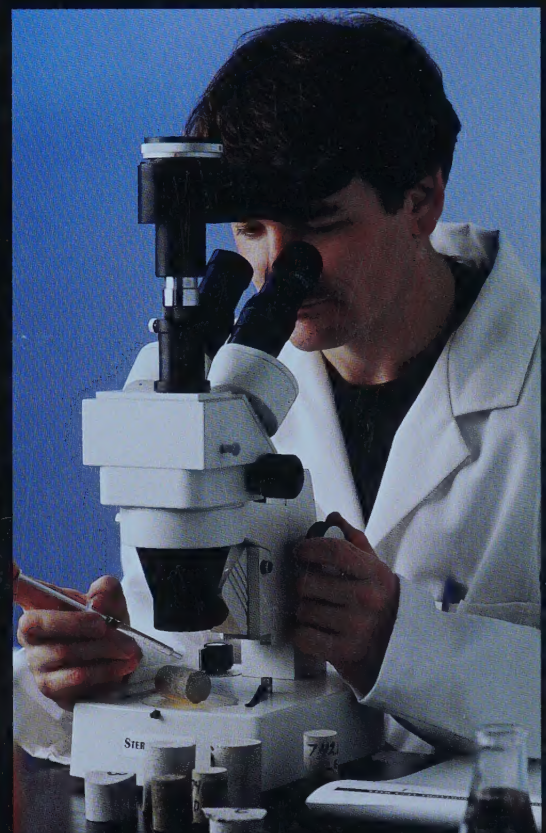


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University of Alberta  
118 Business Building  
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**TRICAN**  
WELL SERVICE LTD.







## HIGHLIGHTS

**1** Through the growth strategies implemented in 1996, Trican's operations in Western Canada have grown to become the second largest among public well servicing companies.

**2** Despite the second lowest level of industry activity in the last six years, Trican was able to increase activity by 43% in 1999.

**3** The bankruptcy of a major Canadian competitor provided Trican with the opportunity to increase its market share significantly. During the year, \$24 million of investment in new equipment and operating facilities was initiated to exploit this opportunity.

**4** Trican has a strong financial position and healthy balance sheet. The Company achieved its aggressive expansion over the past three years while improving its working capital and maintaining low levels of debt relative to shareholders' equity.

**5** Trican's investment in the coiled tubing, fracturing and nitrogen service lines over the past three years has improved profitability and broadened the services available to its customers. In 1999, these services combined to account for over half of the total sales of the Company.

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## Financial Summary and Operational Highlights

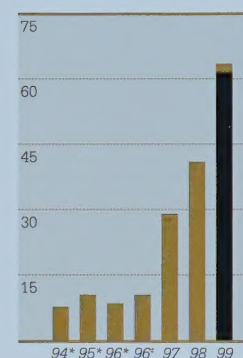
(\$000's, except per share amounts and operational information)	1999	1998	% Change
<b>FINANCIAL SUMMARY</b>			
Revenue	<b>61,750</b>	39,451	57%
Net income	<b>4,850</b>	1,833	165%
Earnings per share			
Basic	<b>0.35</b>	0.15	133%
Fully diluted	<b>0.34</b>	0.15	127%
Funds from operations	<b>11,383</b>	6,259	82%
Funds per share			
Basic	<b>0.83</b>	0.52	60%
Fully diluted	<b>0.78</b>	0.50	56%
Capital expenditures	<b>18,287</b>	11,377	61%
<b>OPERATIONAL INFORMATION</b>			
Number of jobs completed	<b>7,215</b>	5,060	43%
Revenue per job	<b>8,559</b>	7,797	10%

## Corporate Profile

Trican Well Service Ltd. provides a comprehensive array of specialized products, equipment and services that are utilized in the drilling, completion, stimulation, and reworking of oil and gas wells. Headquartered in Calgary, Alberta, the Company operates bases in Red Deer, Grande Prairie, Whitecourt, Lloydminster, Provost, and Brooks, Alberta as well as Kindersley, Saskatchewan to serve the oil and gas industry in Western Canada. Since its initial public offering in December 1996, Trican has grown into a full service supplier of state-of-the-art technology with expertise in coiled tubing, fracturing, stimulation, cementing and related services. Trican's common shares trade on The Toronto Stock Exchange under the symbol "TCW".

Trican is pleased to invite its shareholders and other interested parties to the Annual Meeting at 2:00 p.m. on Wednesday, May 17th, 2000, in the Strand / Tivoli Room of the Metropolitan Centre, 333 - 4th Avenue S.W., Calgary, Alberta.

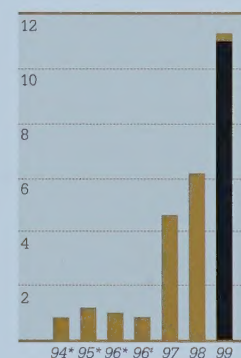
**Revenue**  
(\$ millions)



\* Year ended April 30

\* Eight months ended December 31

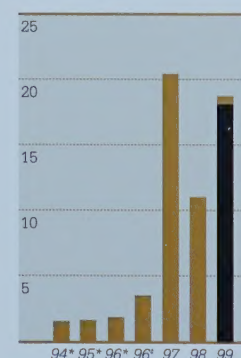
**Funds From Operations**  
(\$ millions)



\* Year ended April 30

\* Eight months ended December 31

**Capital Expenditures**  
(\$ millions)



\* Year ended April 30

\* Eight months ended December 31





# PRESIDENT'S LETTER

Trican demonstrated superior growth in operations and record financial performance once again in 1999. Through the successful implementation of the growth strategies established when the Company went public in December 1996, Trican has grown from a regional cementing supplier to having the second largest well servicing operation among public companies in Western Canada at the end of 1999.

## Significant Challenges and Opportunities in 1999

The year presented significant challenges and opportunities to the Company as oil prices dipped to ten year lows then recovered rapidly in the second half of the year. With the decline in oil prices, demand for services fell dramatically in the first quarter but increased strongly as the year progressed. The number of wells drilled is a good indicator of the demand for well services, and during the first quarter of the year, this total fell by 30% compared to the same period in 1998.

This trend continued for the first half of the year as low commodity prices reduced cash flows to oil and gas companies which reduced the demand for services. In the second half of the year, oil prices recovered and natural gas prices remained strong which fueled a resurgence in activity with demand in the third quarter increasing 30% over 1998.

In the fourth quarter, commodity prices continued to rise which dramatically affected activity in the oil patch. The number of wells drilled increased more than 100% over the same period in 1998.

In response to these changing market conditions, Trican quickly adjusted its focus from cost control and maintaining operations in the first part of the year to expansion and growth in the second half of 1999. The strong recovery in demand for well services enabled Trican to achieve record results in the third and fourth quarters. Revenue for the year increased 57% to \$62 million and cash flow increased 82% to \$11 million compared to the previous year. Net income grew by 165% to \$5 million which reflected the higher level of activity and changing sales mix.

## Proven Growth Strategies

In December 1996, Trican's new management team undertook two basic growth strategies that consisted of diversifying the services offered and broadening the Company's geographic base of operations.

In 1996, Trican was primarily a supplier of cementing services with operations focused in eastern Alberta. Management believed that to provide growth opportunities and improve its profitability, Trican would need to expand into new service lines. Over the past three years, the Company has enhanced its acidizing and coiled tubing services and added new, technologically advanced, fracturing and nitrogen services.



Trican's average revenue per job increased 77% from 1996 to 1999 which reflects the impact of the Company's new service capabilities. Many of these services are charged at a higher average rate per job and have a higher operating margin than cementing services. This has significantly increased the overall profitability of the Company.

Over the past three years as well, Trican has evolved from a regional supplier of cementing services with operations centered in Lloydminster, Alberta to a full service supplier with a broad operations base in Western Canada. To find new markets for its expanded services, Trican has opened five new operation bases, including locations in Red Deer, Whitecourt, and Grande Prairie that allow the Company to compete in the deeper well, more technically challenging foothills market. To provide services to the very active, southern shallow gas market, Trican maintains a base in Brooks, Alberta. As a result of its expansion, Trican now is able to provide services to its customers in virtually all areas of the Western Canadian Sedimentary Basin.

### **Growing Equipment Capacity**

Trican has been aggressive in enhancing its equipment capacity to support the Company's geographic and service line expansion. Since 1996, Trican has initiated new capital investments in equipment and operating facilities totalling \$61 million with the majority of this investment completed by the end of 1999. Furthermore, over one third of these projects were initiated in 1999 in response to the increased demand for well services. As a result of this investment, Trican has one of the newest fleets operating in Western Canada with many of the units featuring the latest technology.

The availability of this technology has enabled Trican to offer state-of-the-art processes and chemical blends to its customers to develop better solutions for their unique problems.

### **Outlook for 2000**

During 1999, the well service industry underwent a transition in Western Canada. The strong recovery in oil prices and continued strong gas prices have created conditions that are expected to yield record cash flows for oil and gas companies in 2000. Accordingly, Trican expects the strong demand for well services seen in the second half of 1999 to continue into 2000. Looking ahead, some industry observers are predicting near record levels of activity in 2000 and similarly strong levels in 2001.

The Company is very excited about its recent acquisition of Northline Energy Services Inc. as their focus on providing first class equipment and services is closely aligned with Trican's operating strategy. The equipment, people and reputation associated with Northline represent very meaningful additions to the Company's operations.

With the successful implementation of the Company's proven expansion strategies, Trican is well positioned to continue its strong record of growth.

On behalf of the Board of Directors,



Murray L. Cobbe

*President and Chief Executive Officer*

*February 29, 2000*





#### **Coiled Tubing**

Coiled tubing is jointless steel pipe manufactured in lengths of thousands of metres and coiled on a large reel. The pipe is run into oil or gas wells to create a circulating system then the tubing is used to introduce acids, nitrogen or other products into the well for purposes such as removing unwanted fluids or solids. Coiled tubing workovers allow operators to continue producing without shutting down the well, reducing the risk of formation damage.



#### **Fracturing**

Fracturing is a well stimulation process performed to improve production. Fluid is pumped into a cased well at sufficiently high pressure to fracture the formation. A proppant is added to the fluid and injected into the fracture to prop it open, permitting hydrocarbons to flow more freely into the wellbore.



#### **Pumping Services**

Pumping services consists of both acidizing and cementing services. Acidizing is a well stimulation process that involves pumping large volumes of specially formulated acid blends into producing oil or gas formations to clean out unwanted materials or to dissolve portions of the producing formation in order to enhance the well flow rate.

Remedial cement service is used to repair casing or communication leaks between producing zones during a well's operating life. Each oil and gas well requires at least two primary cementing treatments during the drilling phase to support the production casing within the wellbore.



#### **Nitrogen**

Nitrogen is an inert gas that is pumped into the wellbore to improve the recovery of introduced or produced fluid safely while reducing potential formation damage. Trican's nitrogen services are applied in conjunction with its coiled tubing, acidizing and fracturing services.



# OPERATIONS REVIEW

## Pumping Services

Pumping services includes both acidizing and cementing services and was the first service line offered by Trican.

**Acidizing:** Demand for this service has grown substantially since 1998. The increase is partly due to the addition of the Whitecourt and Grande Prairie bases, opened late in 1998, that provided new access to these markets. The Company also developed a new line of acidizing chemicals that has allowed it to treat crude oil formations found in Northern Alberta that do not respond well to standard acidization. Another area of growth in acidizing has been in conjunction with horizontal carbonate wells. The combination of Trican's coiled tubing experience and acidizing technology has allowed Trican to perform a number of large treatments on horizontal wells.

**Cementing:** Of all the services offered by the Company, the demand for cementing is most influenced by drilling activity in Western Canada. In 1999, activity for this service line grew modestly over 1998. Lower demand during the first half of the year was offset by high levels of activity in the latter part of the year. To support the continued growth in demand for these services, Trican continues to develop new cementing blends that are focused on solving specific operational problems faced by its customers in Western Canada.

## Coiled Tubing

Beginning with the construction of its first coiled tubing unit in 1996, Trican has steadily developed its operating capacity and reputation in the deep coiled tubing service sector. This service line complements a number of Trican's other services, in particular, horizontal well acidizing which increased significantly in 1999.

During the year, Trican refined its coiled tubing fracturing operations. Fracturing through coiled tubing facilitates fracturing numerous, small, previously by-passed zones, thereby increasing the recovery from a well. With greater focus on shallow gas directed drilling, demand for this service has been rising and is expected to remain strong through 2000. Trican also believes this service has deeper well applications as oil and gas companies attempt to produce from mature reservoirs. The Company continues to work with its customers to refine this technology and improve its acceptance.

In December 1999, Trican announced the acquisition of Northline Energy Services Inc. Based in Western Canada, this company is a leading service provider in the intermediate depth coiled tubing market. With the addition of Northline's seven intermediate and two shallow depth coiled tubing units, Trican is now able to provide a broader spectrum of coiled tubing services to its customers.



### Fracturing Services

Trican first entered the fracturing services market in the first quarter of 1998, and demand has grown consistently since that time. In 1999, the acquisition of the assets of a major service supplier by an industry competitor provided Trican the unique opportunity to increase its market share and attract experienced, high quality field personnel. Trican took full advantage of this opportunity and by year-end had doubled its equipment and operating capacity. With the high levels of demand for these services, further expansion is planned in 2000.

### Nitrogen Services

Nitrogen services are complementary to Trican's deep coiled tubing, acidizing and fracturing service lines. With the growth of these services, demand for nitrogen has grown substantially as well, and in response, Trican built two additional nitrogen pumping units that increased its operating capacity by 30%. In the year ahead, the Company will undertake further equipment expansion when warranted by the demand for services.

### Evolving Sales Mix

Through growth strategies implemented in 1996, Trican has diversified the sales of the Company. By adding coiled tubing, nitrogen and fracturing to the traditional pumping services, over the past three years, Trican has evolved into a full service

provider offering services in all of the major sectors of the oil field pressure pumping industry. The sales mix charts below reflect the impact of these strategies. In 1996, the Company was primarily focused on pumping services, deriving a majority of its revenue from cementing. During 1997 and 1998, its investment in coiled tubing, fracturing and nitrogen services began to alter the sales mix of the Company. The year 1999 reflects the impact of the growth strategies and the diversification of the sales mix, as coiled tubing, fracturing and nitrogen services combined to account for approximately 51% of total sales for the Company.

### Operation Bases

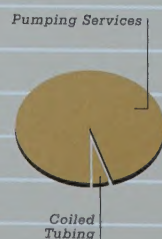
Trican's operations are centered in Western Canada. The Company maintains bases in Red Deer, Grande Prairie, Whitecourt, Lloydminster and Brooks Alberta. With the acquisition of Northline Energy Services Inc., a base was added in Edmonton.

### Work Environment

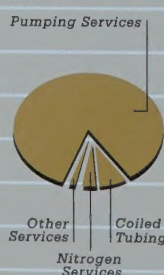
Trican is committed to maintaining a safe working environment for its employees, customers and the public at large. To this end, the Company has developed safety training programs that are designed to improve its performance and continue to raise an awareness of the importance of safety to its operations.

### Evolving Sales Mix

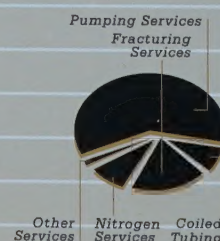
1996 Sales Mix



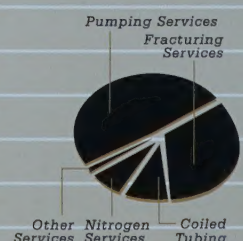
1997 Sales Mix



1998 Sales Mix



1999 Sales Mix





**1** Trican introduced two new water fracturing fluids that give it a competitive edge in fracturing. These fluids require less equipment on location which reduces the cost and increases the efficiency of the treatment. The fluids are specifically suited to the highly competitive shallow gas fracturing market.

**2** The Company developed and refined its coiled tubing fracturing system. Using this technology, producers can isolate a number of small, previously by-passed reservoirs and fracture them separately to recover more oil and gas.

**3** A new line of "Gastight" cements was developed. These new blends use special chemicals to reduce gas migration from reservoirs through the cement. They have significantly reduced the cost of repairing poor cement jobs in eastern Alberta.

**4** Trican's reputation and creativity has generated technical service contracts with companies in the United States, Kuwait, Argentina, Cuba and Russia. Trican provides technical expertise and products to these companies giving it international exposure in many new markets.

**5** In 1999, Trican opened a new lab to enhance its technical capabilities. The Company's research approach has been to work closely with its customers to identify specific areas of improvement for operators in Western Canada. Trican then designs products and techniques based on these needs. This approach will be a springboard for future technical developments over the next decade.





# MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements and accompanying notes contained in this annual report.

## Overview

Trican's strong financial results for 1999 reflect both the growth in operations capacity and the improvement in demand for well services experienced during the year. Consolidated revenue increased 57% to \$61.8 million from \$39.5 million the previous year. Funds from operations were \$11.4 million versus \$6.3 million and consolidated net income increased 165% to \$4.8 million from \$1.8 million last year.

Demand for well services improved greatly throughout the year as higher prices for oil and natural gas increased cash flow to the Company's customers which in turn increased funds available for well servicing.

Oil prices rebounded strongly with West Texas Intermediate ("WTI") prices averaging US \$19.30 per barrel in 1999 which represents an increase of 34% over the 1998 average price of US \$14.38 per barrel. The strength of the recovery is better illustrated by comparing the average price in the first half of 1999 versus the second half. During the first six months of the year, WTI prices averaged US \$15.45 per barrel, whereas in the second half of the year,

the average price increased 50% to US \$23.10 per barrel. In addition, natural gas prices continued to be strong, comparing favourably to the levels seen in recent years with Alberta Border Natural gas (CDN\$) averaging \$2.78 per thousand cubic feet in 1999 versus \$1.97 per thousand cubic feet in 1998.

During 1999, a total of 10,605 wells were drilled in the Western Canadian Sedimentary Basin which was a modest increase of 8% over 1998. Although activity levels in 1999 were higher than the previous year, the total number of wells represents the second lowest level of activity seen in the Basin in the last six years. During the same period, however, Trican completed 7,215 jobs which was an increase of 42% over the previous year. The Company's strong performance is attributable to the expansion of services, equipment additions, and the establishment of several new operation bases.

## Revenue

Trican's revenue increased significantly from the previous year with the total for 1999 increasing 57% to \$61.8 million over the 1998 total of \$39.5 million. The Company's average revenue per job increased to \$8,559 in 1999 from \$7,797 in 1998 which reflects the growth in Trican's fracturing, nitrogen and coiled tubing services and the continued expansion into the deeper well, more technically challenging markets.



The Company's sales mix for the year reflects growth in fracturing services during 1999 as a proportion of total sales. Approximately 18% of total revenue was generated from fracturing services in 1998 whereas this percentage grew to 34% in 1999. During the year, the failure of a major industry competitor created an opportunity for Trican to increase its market share in this service line.

### **Operating Costs and Expenses**

Material and operating expenses of \$46.9 million for the year were 75.9% of revenue compared to \$31.5 million or 79.8% in 1998. The growth in fracturing services and higher levels of activity overall contributed to this improvement. General and administrative expenses for 1999 increased to \$2.0 million or 3.2% of revenue compared to \$1.6 million or 4.0% of revenue in 1998. Trican's interest expense for the year was \$0.5 million compared with \$0.3 million recorded in 1998. Finally, depreciation and amortization increased to \$4.3 million for 1999 from \$2.8 million in 1998. Higher depreciation and amortization are indicative of the Company's substantial investment in equipment and operating facilities over the past three years.

### **Income Taxes**

Trican's income tax expense increased proportionately with the increase in profitability in 1999. The Company's effective tax rate during 1999 was 40.2%. The deferred tax component relates primarily to accelerated deductions for capital cost allowances for tax purposes claimed in excess of depreciation and amortization for accounting purposes.

### **Capital Resources and Liquidity**

At December 31, 1999, the Company had cash of \$0.9 million and a net working capital position of \$11.6 million compared to bank indebtedness of \$2.8 million and net working capital of \$3.2 million at December 31, 1998. Trican also had \$5.6 million of long-term debt (excluding current portion) at year-end 1999 compared with \$4.9 million at the end of 1998. The increase in long-term debt is related to funding equipment purchases. Funds from operations of \$11.4 million for 1999 was up 82% over the 1998 total of \$6.3 million. These funds were reinvested in capital asset purchases completed during the year.

The Company has an operating line of credit to finance working capital requirements. Maximum availability under the line is \$5.5 million subject to certain conditions. At December 31, 1999, no amount was drawn on this facility.

To fund ongoing capital additions, during the year the Company established a \$22 million equipment debt facility. At December 31, 1999, \$5.5 million was drawn on this facility. The Company believes that its strong balance sheet and unutilized borrowing capacity combined with funds generated from operations will provide sufficient capital resources to fund its ongoing operations and future expansion.



### **Equity Offering**

On June 23, 1999, Trican completed a private placement of 2,500,000 Special Warrants at a price of \$4.75 per Special Warrant. Each warrant entitled the holder to acquire, at no additional cost, one common share of the Company. On July 14, 1999, the Company filed a prospectus in the provinces of British Columbia, Alberta and Ontario, qualifying the distribution of Trican's common shares issued on exercise of the Special Warrants.

### **Investing Activities**

Capital expenditures of \$18.3 million were incurred during 1999 compared with \$11.4 million in 1998. The additions expanded operating capacity in all service lines and this capital program was funded through the proceeds of the private placement of special warrants completed in June 1999, by cash flow from operations, and through the equipment debt facility. In addition, at the end of 1999 the Company had a number of capital projects ongoing. The Company estimates that \$8 million of additional investment will be required to complete these projects.

In March 1999, some of the Company's fracturing equipment was destroyed in a well site fire. The insurance program maintained by Trican provided for the replacement of the equipment and for revenue lost during the period of replacement.

On December 15, 1999, Trican announced an offer to purchase all of the issued and outstanding shares of Northline Energy Services Inc. ("Northline") at a price of \$1.05 per share or alternatively 0.1736 of a Trican share to a maximum of 461,098 common shares. As of January 26, 2000, the Company had acquired all of the outstanding shares of Northline for the offered amount.

### **Cash Requirements**

The Company has historically financed its capital expenditures with funds from operations, equity issues, and low levels of debt. Capital expenditures for 2000 are expected to be \$20.0 million and will be financed by funds from operations and/or from credit facilities.

### **Business Risks and Outlook**

The demand for Trican's services is largely dependent upon the level of expenditures by oil and gas companies on exploration and development activities. Exploration and development activities are influenced by a number of factors including commodity prices, taxation and regulatory changes, access to pipeline capacity and changes in equity markets.

With the recent strengthening of commodity prices, the demand for well services has been strong. However, as the demand for well services is strongly influenced by oil and gas prices, the Company believes that it is difficult to predict with any degree of certainty future levels of activity. To mitigate this risk, Trican has maintained a streamlined operation and effective cost structures so that it can respond quickly to evolving market conditions.

The services provided by Trican, in some cases, involve flammable products being pumped under high pressure. To address these risks, Trican has developed and implemented safety and training programs. In addition, a comprehensive insurance and risk management program has been established to protect the Company's assets and operations. Also, Trican complies with current environmental requirements and maintains an ongoing participation in various industry-related committees and programs.



## MANAGEMENT'S REPORT

The management of Trican Well Service Ltd. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada and include amounts that are based on management's informed judgements and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these financial statements. The Audit Committee meets periodically with the external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors the financial statements and annual report of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

The shareholders have appointed KPMG LLP as the external auditors of the Company and, in that capacity, they have examined the financial statements for the periods ended December, 31, 1999 and 1998. The Auditors' Report to the shareholders is presented herein.



**Murray L. Cobbe**  
*President and Chief Executive Officer*



**Michael G. Kelly**  
*Vice President, Finance and Administration,  
Chief Financial Officer*

*February 29, 2000*



## AUDITORS' REPORT

We have audited the consolidated balance sheets of Trican Well Service Ltd. as at December 31, 1999 and 1998 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Calgary, Canada

February 29, 2000



# FINANCIAL STATEMENTS

## Consolidated Balance Sheets

As at December 31,	1999	1998
ASSETS		
Current assets		
Cash	\$ 860,676	\$ –
Trade accounts receivable	16,594,240	7,483,550
Other accounts receivable	1,730,691	–
Inventory	2,543,463	1,591,682
Income taxes receivable	–	1,097,467
Prepaid expenses	960,237	292,940
	22,689,307	10,465,639
Capital assets (Note 3)	47,148,119	36,248,939
Goodwill, net of accumulated amortization of \$446,400 (1998 - \$250,836)	1,497,600	1,693,164
	\$ 71,335,026	\$ 48,407,742
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	\$ –	\$ 508,496
Bank loans	–	2,340,000
Accounts payable and accrued liabilities	9,778,939	3,719,570
Income taxes payable	666,953	–
Current portion of long-term debt (Note 4)	660,513	693,750
	11,106,405	7,261,816
Long-term debt (Note 4)	5,652,749	4,856,250
Deferred income taxes	4,586,479	2,648,031
Shareholders' equity		
Share capital (Note 5)	38,629,831	27,131,894
Retained earnings	11,359,562	6,509,751
	49,989,393	33,641,645
Commitments and Contingencies (Note 8)		
Subsequent event (Note 9)		
	\$ 71,335,026	\$ 48,407,742

See accompanying notes to the consolidated financial statements.



Director



Director



### Consolidated Statements of Operations and Retained Earnings

<i>Year Ended December 31,</i>	<b>1999</b>	<b>1998</b>
Revenue	<b>\$ 61,750,139</b>	<b>\$ 39,450,591</b>
Expenses		
Materials and operating	<b>46,866,100</b>	31,492,464
General and administrative	<b>1,981,701</b>	1,567,285
Interest expense	<b>460,941</b>	315,303
Depreciation and amortization	<b>4,326,469</b>	2,842,120
	<b>53,635,211</b>	36,217,172
Income before income taxes	<b>8,114,928</b>	3,233,419
Provision for income taxes (Note 6)	<b>3,265,117</b>	1,400,136
Net income	<b>4,849,811</b>	1,833,283
Retained earnings, beginning of year	<b>6,509,751</b>	4,676,468
Retained earnings, end of year	<b>\$ 11,359,562</b>	<b>\$ 6,509,751</b>
Basic earnings per share	<b>\$ 0.35</b>	<b>\$ 0.15</b>
Fully diluted earnings per share	<b>\$ 0.34</b>	<b>\$ 0.15</b>

*See accompanying notes to the consolidated financial statements.*



**Consolidated Cash Flow Statements**

<i>Year Ended December 31,</i>	<b>1999</b>	<b>1998</b>
Cash Provided By (Used In):		<i>(restated)</i>
OPERATIONS		
Net income	<b>\$ 4,849,811</b>	<b>\$ 1,833,283</b>
Changes to income not involving cash		
Depreciation and amortization	<b>4,326,469</b>	2,842,120
Deferred income taxes (Note 6)	<b>2,206,742</b>	1,584,080
Funds from operations	<b>11,383,022</b>	6,259,483
Net change in non-cash working capital from operations	<b>(1,343,194)</b>	(5,838,791)
	<b>10,039,828</b>	420,692
INVESTMENTS		
Purchase of capital assets	<b>(18,287,085)</b>	(11,376,643)
Proceeds on disposal of capital assets	<b>3,256,999</b>	–
Acquisition of subsidiary (Note 2)	–	(117,000)
Net change in non-cash working capital from the purchase and disposal of capital assets	<b>(3,293,475)</b>	(3,369,339)
	<b>(18,323,561)</b>	(14,862,982)
FINANCING		
Net proceeds from issuance of share capital	<b>11,229,643</b>	8,477,928
Increase in long-term debt	<b>763,262</b>	4,566,190
Increase (decrease) in short-term borrowings	<b>(2,340,000)</b>	1,475,000
	<b>9,652,905</b>	14,519,118
Increase in cash position	<b>1,369,172</b>	76,828
Bank indebtedness, beginning of year	<b>(508,496)</b>	(585,324)
Cash position (bank indebtedness), end of year	<b>\$ 860,676</b>	<b>\$ (508,496)</b>

During 1999, the Company paid interest of \$428,621 (1998 – \$315,303) and paid (received) taxes of (\$706,045) (1998 – \$1,345,104).

See accompanying notes to the consolidated financial statements.



# NOTES

## TO CONSOLIDATED FINANCIAL STATEMENTS

*For the years ended December 31, 1999 and 1998*

Trican Well Service Ltd. (the "Company") is incorporated under the laws of the province of Alberta. The Company provides a comprehensive array of specialized products, equipment, services and technology for use in the drilling, completion, stimulation and reworking of oil and gas wells in Western Canada.

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary.

#### Revenue recognition

The Company recognizes revenue for services and products at the time they are provided.

#### Inventory

Inventory is carried at the lower of cost, determined under the first-in, first-out method, and net realizable value.

#### Capital assets

Capital assets are stated at cost less accumulated depreciation. Major betterments are capitalized. Repairs and maintenance expenditures which do not extend the useful life of the equipment are expensed.

Depreciation is provided for using the straight-line method over the estimated useful life of the asset as follows:

Buildings and improvements	20 years
Equipment	3 to 10 years
Furniture and fixtures	10 years

Although management believes its estimates of the useful lives of the Company's capital assets are reasonable, it is possible that another estimate may be made or that management's estimate may change in the future, which could result in changes to the depreciation rates. Management bases its estimate of the useful life of equipment on expected utilization, technological change and effectiveness of maintenance programs.



**Goodwill**

Goodwill, representing the excess of cost over the fair market value of the net assets of companies acquired, is amortized on a straight line basis over 10 years. The evaluation for impairment of goodwill is based on a comparison of the carrying values of goodwill and associated operating assets with the estimated undiscounted net cash flows from those assets.

**Income taxes**

The Company follows the deferral method of accounting for income taxes.

**Stock options**

The Company has a stock option plan which is described in note 5. When stock options are issued, no compensation expense is recorded. Any consideration received on exercise of the stock option is credited to share capital.

**Earnings per share**

Earnings per share is calculated using the weighted average number of common shares outstanding during the period. Fully diluted earnings per share gives effect to options as if they had been outstanding from the beginning of the period.

**Comparative figures**

Comparative figures have been restated to conform to current year's presentation.

**NOTE 2 – ACQUISITION OF SUBSIDIARY**

Effective September 15, 1998, the Company acquired all of the issued and outstanding share capital of Birchwood Industries Ltd. ("Birchwood") for \$117,000. The transaction was accounted for using the purchase method.

Net assets acquired at fair market value:		
Net non-cash working capital deficiency	\$	(52,422)
Capital assets		185,421
Goodwill		102,522
Long-term debt		(118,521)
	\$	117,000



### NOTE 3 – CAPITAL ASSETS

	1999	1998
<b>Capital Assets</b>		
Land	\$ 457,316	\$ 457,316
Buildings and improvements	1,244,770	989,979
Equipment	54,941,047	41,003,996
Furniture and fixtures	1,267,491	799,214
	<b>57,910,624</b>	<b>43,250,505</b>
<b>Accumulated Depreciation</b>		
Buildings and improvements	442,308	400,979
Equipment	9,870,415	6,382,123
Furniture and fixtures	449,782	218,464
	<b>10,762,505</b>	<b>7,001,566</b>
	<b>\$ 47,148,119</b>	<b>\$ 36,248,939</b>

### NOTE 4 – LONG-TERM DEBT

Long-term debt is comprised of the following:

	1999	1998
Equipment loan	\$ 6,313,262	\$ 5,550,000
Less: Current Portion	660,513	693,750
	<b>\$ 5,652,749</b>	<b>\$ 4,856,250</b>

The Company's loan facility allows for borrowings up to \$22.0 million, bearing interest at the rate of banker's acceptance with a one month expiry plus 2.45%, repayable in 60 equal monthly installments commencing August 2000. The loan is secured by a pledge of specific assets.

The estimated repayments required subsequent to December 31, 1999 are as follows:

2000	\$ 660,513
2001	\$ 1,314,785
2002	\$ 1,329,349
2003	\$ 1,266,948
2004	\$ 1,100,000
Thereafter	\$ 641,667

Interest expense on long-term debt was \$363,159 in the year ended December 31, 1999 (\$273,679 – 1998).



**NOTE 5 – SHARE CAPITAL**

**Authorized**

An unlimited number of common shares and preferred shares, issuable in series.

**Issued and Outstanding – Common Shares**

	Number of Shares	Amount
Balance, December 31, 1997	10,645,027	\$ 18,454,156
Issued pursuant to private placement	2,000,000	9,000,000
Exercise of stock options	8,250	16,500
Share issue costs, net of deferred income		
tax benefit of \$199,809		(338,762)
Balance, December 31, 1998	12,653,277	\$ 27,131,894
Issued pursuant to private placement	2,500,000	11,875,000
Exercise of stock options	24,250	87,088
Share issue costs, net of deferred income		
tax benefit of \$268,294		(464,151)
Balance, December 31, 1999	15,177,527	\$ 38,629,831

The weighted average number of common shares outstanding for the year ended December 31, 1999 was 13,770,235 (1998 – 11,992,835).

**Common Share Purchase Warrants**

During 1999, the Company issued 200,000 common share purchase warrants as partial consideration for the purchase of equipment, of which, 125,000 are exercisable into common shares at an exercise price of \$3.75 per share and 75,000 are exercisable at \$4.00 per share. The warrants are exercisable for a five year period ending in 2004. None of the common share purchase warrants have been exercised to date.

**Incentive Stock Option Plan**

Options may be granted at the discretion of the Board of Directors and all directors, officers and employees of the Company are eligible for participation in the Plan. The option price equals the closing price of the Company's shares on The Toronto Stock Exchange on the day preceding the date of grant. The options vest equally over a period of four years commencing on the first anniversary of the date of grant, and expire on the tenth anniversary of the date of grant.



The Company has reserved 1,500,000 common shares as at December 31, 1999 (December 31, 1998 – 1,500,000) for issuance under a stock option plan for directors, officers and employees. The maximum number of Common Shares permitted to be subject to outstanding options at any point in time is limited to 10% of the Common Shares then outstanding. As of December 31, 1999 1,268,000 options (December 31, 1998 – 1,094,000) were outstanding at prices ranging from \$1.80 – \$6.85 per share with expiry dates ranging from December 2006 to December 2009.

A summary of the status of the Company's stock option plan as of December 31, 1999 and 1998, and changes during the years ending on those dates is presented below:

	1999		1998	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,094,000	\$ 2.85	910,250	\$ 2.58
Granted	217,500	5.16	177,000	4.20
Exercised	(24,250)	3.59	(8,250)	2.00
Cancelled	(19,250)	5.87	–	–
Outstanding at end of year	1,268,000	3.22	1,079,000	2.85
Exercisable at end of year	645,500	\$ 2.50	398,125	\$ 2.33

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercisable Price
\$ 2.00	704,250	7	\$ 2.00	524,750	\$ 2.00
\$ 2.85 to \$ 6.00	188,750	8	\$ 4.76	92,500	\$ 4.80
\$ 2.90 to \$ 5.60	161,000	9	\$ 4.20	28,250	\$ 4.19
\$ 1.80 to \$ 6.85	214,000	10	\$ 5.13	–	–

**NOTE 6 – INCOME TAXES**

	Year Ended	
	Dec. 31, 1999	Dec. 31, 1998
Current (reduction)	\$ 1,058,375	\$ (183,944)
Deferred	2,206,742	1,584,080
	\$ 3,265,117	\$ 1,400,136

The net income tax provision differs from that expected by applying the combined federal and provincial income tax rate of 44.6% to income before income taxes for the following reasons:

	Year Ended	
	Dec. 31, 1999	Dec. 31, 1998
Expected combined federal and provincial income tax	\$ 3,619,258	\$ 1,442,105
Manufacturing and processing rate reduction	(660,064)	(283,510)
Non-deductible depreciation and amortization	144,377	139,805
Other	161,546	101,736
	\$ 3,265,117	\$ 1,400,136

At December 31, 1999, the Company has capital assets and goodwill with a net book value of \$2,595,534 (December 31, 1998 – \$2,919,248) that have no cost base for income tax purposes.

**NOTE 7 – FINANCIAL INSTRUMENTS**

**(a) Fair values of financial assets and liabilities**

The fair values of financial instruments included in the consolidated balance sheets, including long-term debt, approximate their carrying amount due to the short-term maturity of those instruments and the floating interest rate applied to long-term debt.

**(b) Risk management activities**

The Company's customers are primarily engaged in the business of exploring for and producing oil and natural gas in Western Canada. The financial well being of these companies is affected by the price of these commodities.



**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company has future operating lease obligations on office and shop premises and automobile equipment for various periods until 2006. The minimum lease payments with respect to these leases are:

2000	\$ 720,710
2001	\$ 675,432
2002	\$ 666,882
2003	\$ 577,507
2004	\$ 489,007
2005	\$ 300,644
2006	\$ 203,096

The Company has obligations totaling approximately \$8.0 million relating to the construction of fixed assets at year end. The Company plans to fund these obligations using its existing debt facility.

The Company has been named as defendant in legal proceedings in the amount of \$440,000 arising in the normal course of business. The proceedings are in the preliminary stages and legal counsel has advised that the Company has a strong defence. Provision for loss, if any, will be recorded when such amounts can be reasonably estimated.

**NOTE 9 – SUBSEQUENT EVENT**

On January 26, 2000, the Company acquired all of the issued and outstanding shares of Northline Energy Services Inc., a public Alberta company in the oil and gas service business for cash consideration of \$3,409,557 and 461,098 common shares at an ascribed value of \$2,789,643. The transaction will be recorded using the purchase method.

# SUPPLEMENTAL FINANCIAL DATA

## Quarterly Results (Stated in thousands of Canadian dollars, except for per share values and job information) (Unaudited)

	Q4 99	Q3 99	Q2 99	Q1 99	Q4 98	Q3 98	Q2 98	Q1 98
Revenue	\$ 22,080	\$ 9,218	\$ 8,588	\$ 11,864	\$ 11,389	\$ 7,765	\$ 6,259	\$14,038
Materials & operating	16,446	14,606	6,823	8,991	8,930	6,428	5,972	10,162
Gross profit	5,634	4,612	1,765	2,873	2,459	1,337	287	3,876
General and administrative	691	590	320	381	399	294	356	518
Interest expense	99	77	134	151	100	53	114	48
Depreciation and amortization	1,224	1,046	1,015	1,041	812	757	730	543
	2,014	1,713	1,469	1,573	1,311	1,104	1,200	1,109
Income (loss) before income taxes	3,620	2,899	296	1,300	1,148	233	(913)	2,767
Provision for income taxes	1,426	1,133	174	532	491	132	(293)	1,070
Net income (loss)	\$ 2,194	\$ 1,766	\$ 122	\$ 768	\$ 657	\$ 101	\$ (620)	\$ 1,697
Basic earnings (loss) per share	\$ 0.14	\$ 0.12	\$ 0.01	\$ 0.06	\$ 0.05	\$ 0.01	\$ (0.05)	\$ 0.16
Fully diluted earnings (loss) per share	\$ 0.14	\$ 0.11	\$ 0.01	\$ 0.06	\$ 0.05	\$ 0.01	\$ (0.05)	\$ 0.15
EBITDA	4,943	4,022	1,445	2,492	2,059	1,043	(70)	3,359
Cash flow from operations	4,347	3,385	1,452	2,199	2,051	988	604	2,618
Basic cash flow per share	\$ 0.29	\$ 0.23	\$ 0.11	\$ 0.17	\$ 0.16	\$ 0.08	\$ 0.05	\$ 0.25
Number of jobs performed	2,449	2,508	1,034	1,224	1,431	1,034	818	1,777
Average revenue per job performed	\$ 9,016	\$ 7,663	\$ 8,053	\$ 9,693	\$ 7,958	\$ 7,510	\$ 7,651	\$ 7,900



# CORPORATE INFORMATION

## Board of Directors

Kenneth M. Bagan <sup>(1) (2)</sup>  
*General Counsel, Tesco Corporation*

Gary R. Bugeaud <sup>(2)</sup>  
*Partner, Burnet, Duckworth & Palmer*

Murray L. Cobbe  
*President and Chief Executive Officer*

Donald R. Luft  
*Senior Vice President, Operations and  
Chief Operating Officer*

Douglas F. Robinson <sup>(1) (2)</sup>  
*Chairman and CEO,  
Integrated Production Services Ltd.*

Victor J. Stobbe <sup>(1)</sup>  
*President,  
American Leduc Petroleums Limited*

## Officer

Murray L. Cobbe  
*President and Chief Executive Officer*

Donald R. Luft  
*Senior Vice President, Operations and  
Chief Operating Officer*

Michael G. Kelly, C.A.  
*Vice President, Finance, Chief Financial Officer  
and Corporate Secretary*

Dale M. Dusterhoft  
*Vice President, Technical Services*

David L. Charlton  
*Vice President, Sales*

Michael A. Baldwin, C.A.  
*Controller*

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

## Auditors

KPMG LLP, Chartered Accountants  
*Calgary, Alberta*

## Solicitors

Burnet, Duckworth & Palmer  
*Calgary, Alberta*

## Bankers

Royal Bank of Canada  
*Calgary, Alberta*

## Registrar and Transfer Agent

Montreal Trust Company of Canada  
*Calgary, Alberta and Toronto, Ontario*

## Investor Relations Information

Requests for information should be  
directed to:

Murray L. Cobbe  
*President and Chief Executive Officer*

Michael G. Kelly  
*Vice President, Finance and Chief Financial Officer*

## Corporate Office

Trican Well Service Ltd.  
2700, 645 – 7th Avenue S.W.  
Calgary, Alberta, Canada T2P 4G8

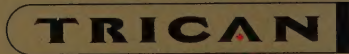
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WELL SERVICE LTD.